

Executive Registry
64-8536

17 December 1964

Dear Mr. President:

Yesterday, by arrangement worked out with Mr. McGeorge Bundy, I sent a CIA officer to Chicago to meet General Eisenhower who was enroute West by train and submitted to him a draft of your proposed statement on Panama.

After reading the statement, the General called me by telephone and stated that he had read the statement carefully and that "my approval is complete." He then suggested certain editorial changes which have been submitted to McGeorge Bundy.

I specifically asked if he approved the use of his name as indicated on the first page and he answered that doing so was "perfectly all right with me."

You will be interested to know that your new Secretary of Commerce, Jack Connor, was in my office when I called and, while he had no knowledge of the above conversation, I told General Eisenhower of the new appointment, put Connor on the telephone, and I am pleased to report to you that the new appointment was received with very great enthusiasm by General Eisenhower.

Respectfully yours,

Signed: John A. McCone
John A. McCone

The President
The White House
Washington, D. C.

NSC REVIEWED NO OBJECTION TO DECLASSIFICATION AND

cc: Mr. McGeorge Bundy

JAM/mfb

lcc - DCI White House Background attached.

lcc - DCI Chrono

Note: A [redacted] of DDI's office took the draft to Gen. E.

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17 December 1964

MEMORANDUM

SUBJECT : General Dwight D. Eisenhower's Comments
on Draft Statement on Panama, Dated
14 December 1964

1. A copy of the draft statement for President Johnson to give on the Panama Canal issue and a copy of Intelligence Memorandum entitled "Panama—The Canal Issue", OCI No. 2843/64 of 7 December 1964 were carefully read by General Dwight D. Eisenhower aboard his special car on Westbound Santa Fe Train No. 1 in Chicago, Illinois in the afternoon of 16 December.

2. After carefully reading both documents twice, General Eisenhower said that "by and large" the draft statement on Panama is "all right" and that he doesn't see anything wrong with it. However, he believes that by tightening it up and by making it more simple it would have more of an impact. He felt that some of the details should be left for those working on the treaty.

3. Specifically, he suggested the following as changes worth considering:

a. After line 12 of page 2 to insert a statement such as, "The American government is prepared to begin negotiations with the Panamanian government for a treaty to replace the existing one which, admittedly, is obsolete in some of its provisions." He thinks it would be worth while pointing out early on in the statement this US position.

b. He suggested deleting beginning with the words on line 16 of page 4 beginning, "Thus, should it be decided. . ." through the first sentence on page 5 ending with the words ". . .of world commerce." He feels that these are operative details not entirely necessary for this statement.

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c. He feels that the sentence beginning "Such an agreement. . ." on line 8 of page 6 could go.

d. He also feels that the paragraph beginning on the bottom of page 6 beginning with the words "Wherever the new canal is built. . ." might be beneficial, but again might be a bit too detailed. He suggested that the immediately following paragraph could cover it by reading as follows, "We will also take every possible step to protect the employment rights and economic security during the transition period of both the Panamanian and the United States citizens. . ." The underlined words would be added to the present draft.

4. The General asked if he could keep a copy of the draft statement only and said that he would again study it and that if he had further suggestions he would call Mr. McCone later in the afternoon or early evening.

5. There followed a brief chat on the current situation in Panama. General Eisenhower remarked that he had been away from the scene for about four years and he hadn't realized that the situation had developed as it had. He was pleased to hear that the new Panamanian Ambassador to the United States is Ricardo Arias whom he holds in high esteem personally. He mentioned his interest in Panama stemming from as far back as 1921-24 when he was stationed there as a young army officer.

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DRAFT 12/14/64 STATEMENT

I have reviewed the problem of a Western Hemisphere interoceanic canal in all of its aspects. The conclusions which I have reached as a result of this study have the full concurrence of the Secretary of State, the Secretary of Defense and the Joint Chiefs of Staff. In view of the importance of the subject, I have also consulted with General Eisenhower and Mr. Truman and they have expressed to me their general concurrence with what I am about to say. On December 18 I consulted with the leadership in Congress of both political parties and found a substantial degree of support there.

In 1903 when the United States undertook to build a canal through the Republic of Panama it had the primary objective of service to world commerce. As Elihu Root, the Secretary of War when the Canal was begun, said before the United States Senate in 1913:

"By public declarations, by the solemn asservations of our treaties with Colombia in 1846, with Great Britain in 1850, our treaties with Nicaragua, our treaty with Great Britain in 1901, our treaty with Panama in 1903, we have presented to the world the most unequivocal quaranty of disinterested action for the common benefit of mankind and not for our own selfish advantage."

Since the canal was constructed it has been open to the ships of all nations on terms of entire equality. The tolls charged to the commerce of all nations have been on an equal basis. The United States has sought no profit from its operation of the Canal and has made none. The United States investment in the construction and improvement of the Canal has not been fully amortized even though the Canal has been in operation for over fifty years.

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A second United States objective was to have the Canal contribute to the peace and security of the Western Hemisphere. The Canal is important to hemisphere security and to the security of the United States because it shortens greatly the time required for the transit of vessels from one ocean to the other.

The present Canal has served these two objectives well.

At the same time it has contributed greatly to the economy of Panama.

United States purchases of goods and services offset to a large extent Panama's balance of payments deficit with the rest of the world. In 1963, Panama's gross sales of goods and services to U. S. agencies and residents of the Canal Zone amounted to over \$90 million, or about one-fifth of its gross national product. Our activities in the Canal Zone currently employ about 15,000 Panamanians -- over three times the number of U. S. civilian employees.

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The fact is that the present Canal will soon be inadequate for the needs of world commerce. Within a relatively few years ships wishing to transit the Canal will have to wait in line for progressively longer periods of time. Already there are some 308 ships afloat or under construction either too large for the Canal to accommodate or which cannot transit the locks when fully laden. This number would be larger but for the fact that the present size of the Canal has inhibited the ship building industry from building larger and more economical ships.

Our newest and most powerful aircraft carriers are unable to transit the present Canal.

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The American government is prepared to begin negotiations with the Panamanian government for a treaty to replace the existing one which, admittedly is obsolete in some of its provisions.

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Furthermore, the complex locks and seaways are vulnerable to sabotage which could put the Canal out of operation for a period as long as two years -- perhaps in an emergency when we and others dependent on it most needed it. A sea level canal would be much less vulnerable to sabotage.

Finally, modern construction techniques and the low operating costs of a sea level canal indicate that such an undertaking is economically feasible.

The present Canal consists of a series of complicated locks and water systems, which are expensive to operate and maintain. By comparison a sea level canal would be relatively simple to operate, and the number of employees required to operate it would obviously be much smaller than required to operate the present Canal.

Therefore, it is clear that we must start now to prepare for the construction of a more modern facility in the relatively near future.

Recognizing these facts, the Congress has already authorized the expenditure of up to \$17 million dollars to study the feasibility of the construction of an interoceanic sea level canal and to determine the site which is most desirable. According to our present information, the most feasible routes from a technical point of view would seem to be through Panama, at approximately the site of the present Canal or through the Sasardi-Morti route through the Darien region of Panama; through the northern part of Colombia in the region of Rio Atrato; or through Nicaragua and possibly Costa Rica passing near Lake Nicaragua.

I have issued instructions to the Secretary of State to begin discussions with all of the governments concerned to determine whether they would be interested

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in our going forward with the surveys authorized by Congress. If they are, the United States is prepared to begin immediately negotiations on the terms and conditions for the construction and operation of a sea level canal. Depending on the results of these negotiations, we would expect to go forward with selected site surveys.

We have in mind a treaty in which sovereignty over the canal area would remain in the country or countries through which the canal would pass. The United States would be authorized, alone or with others, to undertake construction. Financing would be the primary responsibility of the United States Government but the door could be left open to contributions from other sources, both public and private.

Operation of the canal could be entrusted to an international commission composed of representatives of the Government of the United States and the country or countries through which the canal would run and of representatives of the users, of the groups putting up the financing and of the Organization of American States. [Thus, should it be decided by the Governments concerned to establish a multinational operating commission the operation would be international rather than national or bi-national in character. This international commission would by treaty be authorized to promulgate the regulations necessary for the operation, maintenance and security of the canal, including the fixing of tolls. The United States and the country or countries through which the canal runs would jointly undertake the defense of the canal.]

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The tolls would be fixed in such a way as to put the canal on a self-sustaining basis to amortize this investment and to serve the interests of world commerce. Like the present canal, the new interoceanic canal would be open to the vessels of all countries on the basis of equality.

Whatever treaties are agreed upon would, of course, be subject to approval and ratification in accordance with the constitutional procedures of the United States and the other country or countries involved.

In the case of Panama, there is this additional problem: The Government and people of Panama attach considerable importance to modernizing the present treaty arrangements governing the operations of the Panama Canal.

We appreciate this concern. We are glad to join with the Government of Panama in searching for solutions which are compatible with the dignity, responsibility and sovereignty of both nations. It is clear that we must make provision for the continued protection and operation of the Canal by the United States until it is replaced.

We are prepared to negotiate a new treaty with Panama, based on the retention by the United States of all rights necessary to the operation and protection of the Canal, including administration of the areas required for these purposes. This treaty would replace the 1903 Treaty and its amendments. It would recognize Panama's sovereignty over the Canal and would provide for a termination date for rights retained by the United States based on the operational date of a sea level canal wherever it might be constructed. The present treaties would, of course, remain in effect until a new agreement is reached.

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In connection with the existing lock canal, our two countries have recognized the responsibilities we bear and the contributions we make toward hemispheric defense. In order that both of our nations may continue as allies and partners in the inter-American defense system and to provide for the defense and security of the hemisphere on a basis compatible with the sovereignty, dignity and interest of both countries, I have issued instructions for the commencement of negotiations at this time for a new defense facilities agreement to come into effect upon the closing of the present canal. [Such an agreement would reflect our joint contribution toward the preservation of peace and security in the hemisphere.]

In summary, we foresee three principal tasks in order to satisfy the requirements of the present and the future:

1. Working out satisfactory arrangements for the construction and operation of a new sea level canal;
2. Providing a new treaty framework for the interim period to govern the operation, defense and administration of the present lock canal; and
3. Agreement on the terms of future arrangements for facilities for the defense of the sea level canal and the Hemisphere.

It is our hope that these problems can be addressed immediately, simultaneously and effectively, so that their resolution will establish our relations on a new higher plane of understanding and cooperation in the important task of providing an indispensable service to the world.

[Wherever the new canal is built it will create new opportunities. To be sure, closing of the present

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canal would cause economic problems for Panama, but these would be offset to a great extent by those new opportunities which would be created if the sea level canal were built there. Panama would benefit not only from the actual construction of such a canal but would also continue to enjoy the benefits of the present canal until the new one were completed. We are prepared to consider now with Panama a program of how best to take advantage of these opportunities and to meet these problems. The efficient employment of Panamanian workers employed in the present canal whose services would not be needed in the operation and maintenance of the sea level canal will form a major topic of our discussions with Panama.]

We will also take every possible step to protect the employment rights and economic security during the transition period of ^{both the Panamanian and} United States citizens now employed in connection with the operation, maintenance, and defense of the present Canal. We shall do what is necessary to find them employment fitting their skills and experience and by providing retraining where this is called for.

Let me emphasize that while the replacement of the present canal will present problems, these are not problems of despair, but rather, of how best to take advantage of the opportunities presented. To meet the urgent and important needs of world commerce and the security of the hemisphere will require the imagination and resourcefulness of all of us working together for this great common goal. We must look boldly and confidently to the future, not to the past.